

INFORMATION REPORT INFORMATION REPORT

CENTRAL INTELLIGENCE AGENCY

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1. At the beginning of October 1955 the Foreign Trade Chamber of Commerce in Belgrade issued an instruction to all Yugoslav State purchasing organizations on methods of buying. The instruction stated that all purchases of capital goods should be made wherever possible from the East Bloc. Before tenders were sent out to Western countries, East Bloc countries would be given a chance to supply the goods. Inability to obtain the goods in the East should be proved by a written statement from the East Bloc country concerned that it was unable to supply. All other goods could be purchased only from countries nominated by the Chamber.
2. Trade of Yugoslavia with the Satellites in general terms is as follows:
 - a. Hungary - deliveries from both sides are good. The complete breakdown of political negotiations between the two countries has not affected the flow of trade and Hungary is delivering its quotas ahead of contract time.
 - b. Czechoslovakia - in spite of the friendly relations between the two countries, deliveries by Czechoslovakia in all sectors are slow and in many cases of poor quality.
 - c. Poland - deliveries are good and supplies of Polish coke are now nearly sufficient to meet Yugoslavia's needs from abroad. The Yugoslav National Bank has ordered that payments to Poland should be made on receipt of the invoice for a particular delivery. This instruction was given after the intervention of the Polish Embassy in Belgrade, which complained about delays in payment. Polish bulk deliveries are generally either 10 per cent under or over weight.
 - d. Rumania - trade is good
 - e. East Germany (DDR) - the DDR has failed to fulfill any contract it has signed.
3. There are no signs in the Yugoslav economy that the Soviet loan has been

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received. The Yugoslav investment program has been cut back severely. The loan of \$40,000,000 is divided as follows: 30 million for purchase of capital goods over a period of ten years and 10 million as prepayment for Yugoslav deliveries to the Soviet Union.

4. Yugoslavia has already received deliveries of butylalcohol (450 tons) and aniline dyestuffs from the USSR and both were of poor quality. Deliveries of wheat, cotton, wool, crude oil (140,000 tons) formaldehyde and toluol have also been promised. The USSR has offered to sell a large part of the oil it will receive from Austria, and Yugoslavia has stated its readiness to take 600,000 tons a year of this.
5. Soviet Deputy Prime Minister Mikoyan, who has spent a long time touring Yugoslavia's industry, has stated the Soviet requests. The USSR is prepared to take all excess production in Yugoslavia of the leather, textile, paper, food, agricultural, metal processing and crude metal industries. Mikoyan in his tour spoke to the workers and told them not to worry about the quality of their deliveries to Russia; there would be no complaints. He further stated that an exchange of technicians and trade economists between the two countries would soon have Yugoslavia's industry running on the right lines. To the metal processing industry he stated that the Soviet Union was prepared to buy any amounts of pots, pans, cutlery, bathtubs, ovens, etc., and pay more for them. To food processors he stated that the USSR had shown that it was prepared to buy tomato concentrate and cucumbers by the barrel, and plums, too, would be bought in any containers the Yugoslavs could provide. Any surplus fresh foods, fats and salamis would find a ready customer.
6. Mikoyan also made the following offers to the Yugoslav government:
 - a. He promised Soviet help in settling Yugoslavia's claim for reparations against West Germany.
 - b. The USSR would supply the equipment and technicians to build a nitrogen factory in the Bosnia brown-coal fields. It was claimed that the processes of this factory would be superior to those of the factory built for Yugoslavia by the Badische Anilin und Sodafabrik, Ludwigshafen, West Germany.
 - c. The Soviet Union would buy 80 per cent of the output of the Varteks wool factory at Varazdin and would supply all the wool required by the factory.
 - d. All Yugoslav students who have been in the Soviet Union since 1948 would be sent home. The Yugoslav government refused this offer until such time as the future of the Cominform had been settled.
7. At the moment Yugoslavia is swarming with former Austrian employees of the Soviet USIA undertakings in Austria. These persons are now employed with the Soviet Embassy in Vienna and are making tours of inspection of Yugoslav industry on behalf of the USSR.
8. In the Croatian State Secretariat for Economic Affairs there is no more talk about embargo restrictions on deliveries to the East. Fears of American objections are no longer expressed.
9. Retired Army officers who in the main are pro-Moscow and generally dissatisfied with the present regime in Yugoslavia are now found in various Yugoslav State Secretariats.

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